

## Message Text

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ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 DOTE-00 FMC-01 INR-07

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TO AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: BBAK, ETRD, EWWT, IT

SUBJECT: REPORT OF SEALAND MAKING ILLEGAL PAYOFFS

1. CONGEN OFFICER MET WITH R.M. HICKLER, GENERAL MANAGER OF SEALAND ITALIA, WITH REGIONAL RESPONSIBILITY FOR THE ENTIRE MEDITERRANEAN REGION, TO DISCUSS THE CONTENTS OF THE REPORT THAT THE R.J. REYNOLDS CO., SEALAND'S PARENT, HAS FILED WITH THE SEC. THE REPORT REVEALS THAT THE SHIPPING COMPANY MADE NEARLY \$19 MILLION IN PAYMENTS TO INDIVIDUALS AND FIRMS ABROAD SINCE 1968. THE PURPOSE OF THIS MEETING WAS TO LEARN WHETHER SEALAND'S REVELATIONS ARE LIKELY TO LEAD TO A LOCKHEED-TYPE SCANDAL SHOULD THE IDENTITY OF THE FOREIGN RECIPIENTS COME TO LIGHT.

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2. HICKLER CONFIRMED THAT SEALAND HAD MADE PAYMENTS TO PORT/CUSTOMS OFFICIALS, UNION LEADERS, FREIGHT FORWARDERS, AND SHIPPING CUSTOMERS AND CONSIDERED SUCH PRACTICE TO BE A NORMAL OPERATING EXPENSE FOR DOING BUSINESS IN THE MEDITERRANEAN REGION. GIVEN THE STIFF COMPETITION ON THE MEDITERRANEAN-NORTH

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ATLANTIC ROUTE, HICKLER SAID THAT SEALAND HAD REGULARLY MADE

PAYMENTS FOR SUCH SERVICES AS GAINING PREFERRED DOCKING SPACE, EXPEDITING CUSTOMS CLEARANCES OF ITS VESSELS AND CARGOES, KEEPING PORT WORKERS ON THE JOB, AND RETAINING KEY CUSTOMERS. FOR THE MOST PART, THE RECIPIENTS EXPECTED TO BE COMPENSATED FOR THEIR SERVICES AND, OCCASIONALLY, RESORTED TO EXTORTION TO OBTAIN PAYMENT. HICKLER ASSURED CONGEN OFFICER THAT SEALAND'S PAYMENTS WERE DIRECTED TO LOCAL OFFICIALS FOR "SPECIAL" SERVICES RENDERED AND BELIEVED IT UNLIKELY THAT COMPANY HAD EVER MADE PAYMENTS ON NATIONAL LEVEL OFFICIALS IN EFFORT TO INFLUENCE POLICIES. UNLIKE THE INTEREST SHOWN BY THE ITALIAN PRESS IN THE LOCKHEED MATTER, HICKLER SAID ONLY ONE ITALIAN JOURNALIST HAD CALLED SEALAND'S OFFICE HERE FOR COMMENT ON THE SEC REPORT.

3. IN THE SPRING OF 1975, SEALAND UNILATERALLY DECIDED TO

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CEASE MAKING SUCH PAYMENTS. ACCORDINGLY, SEALAND'S MARKET SHARE BETWEEN ITALY AND NORTH AMERICA HAS DECLINED FROM 13 TO 12 PERCENT OF THE TRAFFIC. HICKLER ATTRIBUTES THIS DROP LARGELY TO THE FACT THAT SEALAND'S ITALIAN, ISRAELI, AND WEST GERMAN FLAG COMPETITORS STILL MAKE PAYOFFS AND REWARD KEY CUSTOMERS WITH REBATES. TO MEET THE COMPETITION, SEALAND AND ITS U.S. FLAG COLLEAGUE, AMERICAN EXPORT LINES, HAVE WITHDRAWN FROM THE NORTH AMERICA-MEDITERRANEAN SHIPPING CONFERENCE AND LOWERED RATES TO THE LEVEL WHERE HICKLER SAYS SEALAND IS SHOWING LITTLE PROFIT ON ITS MEDITERRANEAN OPERATIONS. DI SCIULLO

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